
Commerce & Labor Committee

HJM 4032

Brief Description: Petitioning for airline pension relief.

Sponsors: Representatives Upthegrove, Schual-Berke, Hasegawa, Chase, Hudgins, Simpson and Conway.

Brief Summary of Bill

- Requests the United States Congress to declare its support for and enact federal legislation directed at creating airline pension reform and protecting retirement benefits for all employees in the airline industry.

Hearing Date: 2/1/06

Staff: Sarah Dylag (786-7109).

Background:

Pension Benefit Guaranty Corporation

Defined benefit plans are employer-provided retirement plans that provide a guaranteed retirement income based on annual salaries and length of employment. The employer assumes the investment risk and the benefits are guaranteed by the federal Pension Benefit Guaranty Corporation (PBGC). The PBGC is a federal corporation created by the Employee Retirement Income Security Act of 1974 (ERISA). PBGC currently protects the pensions of employees in single-employer and multiemployer defined benefit pension plans.

Employers can end a pension plan through a process called "plan termination." If the plan is not fully funded and the employer is in financial distress, the employer may apply for a distress termination. The employer must prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Airline Industry

In recent years, the airline industry has faced some bankruptcies. When airlines have gone into bankruptcy, some have applied for distress termination from the PBGC and passed their pensions on to PBGC. Passing the pensions on to the federal government reduces the benefits for some

employees from those airlines because the PBGC's insurance program covers only basic pension benefits and is subject to annual dollar caps.

Federal Legislation

The United States Congress recently considered legislation related to pension reforms, including reforms aimed at changing funding rules. The Pension Security and Transparency Act of 2005 passed the United States Senate in mid-November and contained provisions specifically directed at the airline industry. The United States House companion, the Pension Protection Act, passed the United States House of Representatives on December 15, 2005, but did not contain provisions specifically directed at the airline industry.

Summary of Bill:

The Legislature requests that Congress declare its support for and enact federal legislation directed at creating airline pension reform and protecting retirement benefits for all employees in the airline industry.

Rulemaking Authority: The bill does not contain provisions addressing the rule-making powers of an agency.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.